

REMARKS

Applicant thanks the Examiner for carefully considering this application and for indicating that claim 7 includes allowable subject matter. Please reconsider the application in view of the following remarks.

Disposition of Claims

Claims 1-29 are pending in this application. Claims 1, 20, and 23 are independent. The remaining claims depend, directly or indirectly, from claims 1, 20, and 23.

Rejection(s) under 35 U.S.C § 103

(A) Claims 1, 2, 8-17, 19, and 20-25 were rejected under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 5,819,238 (“Fernholz”) and U.S. Patent No. 6,606,615 (“Jennings et al.”). This rejection is respectfully traversed.

Embodiments of the invention provide “entertainment values” in addition to traditional investment. The “entertainment values” are derived from certain “predefined events,” such as sports events or political events. These predefined events typically do not have direct impact on the performance of the fund. The predefined events are packaged as options, each of which will pay a *pre-set* dividend when a particular predefined event occurs. The *pre-set* dividends (or payouts) of the options are determined by prorating a portion of the yield of the fund to all options. Thus, the investment return of an investor depends on not only market performance of the fund, but also the performance of the selected sports team, political candidate, etc. (Specification, paragraph [0022]).

An embodiment of the invention, as recited in claim 1, includes the following limitations: “defining a plurality of said investment options, each having a yield calculator, said calculator having a value related to occurrence, to each said option, of *predefined events*; selecting a nominal yield of said fund; *allocating a portion of said nominal yield to each of said investment options ratably* with respect to the portion of said value of each said yield calculator bears to a total of all values of all of said yield calculators.” Independent claims 20 and 23 also include

these limitations.

In contrast, Fernholz refers to a novel structure for a conventional mutual fund, where individual investors have an impact on what the holding of the fund are. Fernholz discloses optimization of portfolio management of a conventional index-type fund. The goal of the Fernholz funds is to outperform standard indexes by a few % points per year. The funds use dynamic computer program that works systematically towards targets. Securities are reweighed for attractiveness. As noted on page 3 of the office action, Fernholz does not teach or suggest designing a plurality of investment options, let alone having options that are related to predefined events and have pre-allocated payouts (dividends).

As noted on page 4 of the office action, Jennings et al. discloses predicting sports and related events and calculating the probability that they will occur. Indeed, Jennings et al. discloses methods for optimizing forecast of real-life fluctuating values (such as GDP growth) and events (including how many home runs will be hit by a player). Jennings et al. uses consensus forecasts (with averaging), which are typically better than those from individuals. Consensus forecasts are improved by normalizing for demographics of the participating forecasters. Gathering demographics on participants is key part of the Jennings et al. invention. Having contests allows the identification of the best forecasters, as well as encourages more frequent updates of forecasts by participants. This forecasting model can be tailored to any value or event of interest (community-selected content). Jennings et al. is solely related to a forecasting model. It does not teach or suggest options that are related to predefined events and have pre-allocated payouts, nor does it teach or suggest *“allocating a portion of said nominal yield to each of said investment options ratably . . . ,”* as required by claims 1, 20, and 23.

M.P.E.P. § 2142 provides: “To establish a prima facie case of obviousness, three basic criteria must be met. First, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings. Second, there must be a reasonable expectation of success. Finally, *the prior art reference (or references when combined) must teach or suggest all the claim limitations*. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, and not based on applicant's disclosure. *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).”

(Emphasis added).

Because neither Fernholz nor Jennings et al. teaches or suggests limitations of claims 1, 20, and 23, these claims are patentable over the combination of these references. Dependent claims should be patentable for at least the same reasons. Accordingly, withdrawal of this rejection is respectfully requested.

(B) Claims 3, 4, 26 and 27 were rejected under 35 U.S.C. § 103(a) as being obvious over Fernholz and Jennings et al. further in view of Lange (U.S. Pub. 2002/0147670 A1). This rejection is respectfully traversed.

Lange discloses creation of an efficient market for actual financial derivatives, such as stock options, to minimize transaction costs in matching buyers and seller. Lange relates to creating a parallel market to existing derivatives markets, but having the advantage of lower costs. Lange's derivative securities are based on agreements between individual investor buyers and sellers. Lange is relied upon to provide teachings of linear and non-linear relationships between various parameters. (Office Action, p. 8).

Because Lange fails to provide what is missing in Fernholz and Jennings et al., a combination of these three references cannot render claims 1 and 23 obvious. Therefore, claims 3, 4, 26, and 27, which depend from claims 1 and 23, are patentable for at least the same reasons. Accordingly, withdrawal of this rejection is respectfully requested.

(C) Claims 5 and 28 were rejected under 35 U.S.C. § 103(a) as being obvious over Fernholz and Jennings et al. further in view of Chodak et al. (U.S. 4,363,489 A). This rejection is respectfully traversed.

Chodak discloses computer games, in which participants trade fictitious stocks that are impacted by fictitious events. Competition between participants is based on relative portfolio return and the accumulation of assets. The game provides trend-changing events – such as new product introductions, droughts and interest rate changes – which impact the stock prices of the fictitious stocks. As opposed to a real market, these impactful events are programmed to merely

change the stock price's trendline – either up or down – rather than be factored into the value of the stocks by the participants, which would be reflected in the stock's price through share purchases and sales. The computer adds fluctuations to the stock price trendlines to model what happens in actual markets.

Chodak is relied upon to provide teaching of initial share pricing and subsequent share pricing. (Office Action, p. 8). Because Chodak does not teach or suggest what is missing in Fernholz and Jennings et al., combination of these three references cannot render claims 1 and 23 obvious. Claims 5 and 28, which depend from claims 1 and 23, are patentable for at least the same reasons. Accordingly, withdrawal of this rejection is respectfully requested.

(D) Claims 6 and 29 were rejected under 35 U.S.C. § 103(a) as being obvious over Fernholz, Jennings et al., and Chodak further in view of Keiser et al. This rejection is respectfully traversed.

Keiser discloses computer-automated system to match buy and sell orders in financial markets, especially concerning buy and sell order imbalances. The system can be used for trading real-life securities – such as options on stocks – over the Internet, without manual 'market-making' assistance. This system can also be used for 'virtual trading' contests.

The Examiner relies on Keiser et al. for providing the teaching of initial shares and initial share prices and subsequent shares and subsequent share prices. (Office Action, p. 9). Because Keiser et al. does not provide what is missing in Fernholz, Jennings et al., and Chodak, claims 1 and 23 are patentable over a combination of these references. Dependent claims 6 and 29, which depend from claims 1 and 23, should be patentable for at least the same reasons. Accordingly, withdrawal of this rejection is respectfully requested.

(E) Claim 18 was rejected under 35 U.S.C. § 103(a) as being obvious over Fernholz, and Jennings et al. further in view of Keiser et al. This rejection is respectfully traversed.

As noted above, Keiser does not teach or suggest what is missing in Fernholz and Jennings et al. Claim 18 depends from claim 1 and should be patentable over a combination of

these reference for at least the same reasons set forth above. Accordingly, withdrawal of this rejection is respectfully requested.

Allowable Subject Matter

Claim 7 has been indicated to contain allowable subject matter and would be allowable if rewritten in independent form. For reasons set forth above, Applicant believes claim 1, from which claim 7 depends, is patentable. Therefore, Applicant respectfully defer rewriting claim 7 in independent form at this time.

Conclusion

Applicants believe this reply to be fully responsive to all outstanding issues and place this application in condition for allowance. If this belief is incorrect, or other issues arise, do not hesitate to contact the undersigned or his associates at the telephone number listed below. Please apply any charges not covered, or any credits, to Deposit Account 50-0591 (Reference Number 07010.002002).

Date: _____

4/24/05

Respectfully submitted,



T. Chyau Liang, Reg. No. 48,885
OSHA · LIANG LLP
One Houston Center, Suite 2800
1221 McKinney Street
Houston, TX 77010
Telephone: (713) 228-8600
Facsimile: (713) 228-8778